

Mr. A. V. Li

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1 Q. Was that the purpose then of bringing in  
2 the COO?

3 A. Yes. To get focus on operations, find  
4 our way out of bankruptcy as reasonably and as  
5 quickly as we could, but meanwhile have the  
6 strength of the company be demonstrated so credit  
7 lines and everything else would be available and to  
8 really operate the company and to generate enough  
9 strong feeling that after bankruptcy is over with  
10 the company could move forward with the strong  
11 operation it has. And they've been strengthening  
12 considerably under Paul and very much so under  
13 Festa.

14 Q. How many other candidates were  
15 considered besides Mr. Festa?

16 A. Interviewed, none, as I recall;  
17 considered, a bunch, because we know a lot of  
18 people. In this situation you tend to have to  
19 attract people by personal knowledge. If you  
20 worked with some bright young guy years ago you can  
21 go to him and say here's what bankruptcy is all  
22 about and here's the job. And you tend to have

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Washington, DC

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1 Fred being -- I assume he'll see all this stuff.  
2 He'll probably see my comments too. So I think  
3 it's a serious issue for you to consider. It's  
4 certainly a serious issue for us to consider.

5 Q. When the board was determining the  
6 compensation to be paid to him, was there a concern  
7 that if he didn't have an emergence or retention  
8 bonus he wouldn't agree to be CEO?

9 A. I can't answer that. I'm not sure.

10 Q. Did the board discuss the issue of not  
11 giving him an emergence or retention bonus?

12 A. Well, we discussed among ourselves  
13 anyway the fact that we needed some incentive to  
14 come out of bankruptcy because the bankruptcy is a  
15 debilitating experience that most people engage in,  
16 shareholders and everybody else, that we needed  
17 something to incentivize him for coming out of  
18 bankruptcy. And also we thought we needed a  
19 retention component us with us. That probably got  
20 most of the discussion with us. Once we saw the  
21 comparable data we were all generally pretty well  
22 satisfied.

Thomas A. V. I.

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1 Q. Was there a belief amongst the board  
2 that the either/or alternative, either the  
3 emergence or the retention bonus, was inconsistent  
4 from the CEO's perspective?

5 A. I wouldn't understand why it's  
6 inconsistent at all. So I wouldn't even have  
7 thought about that.

8 Q. You said that you believed that there  
9 needed to be an incentive to get the company out of  
10 Chapter 11.

11 A. Well, you need an incentive like you  
12 have an annual bonus. It doesn't mean the guy is  
13 not going to break his back to get the earnings  
14 target anyway. But you need some stake in the  
15 ground. You need a score of some kind. And  
16 financially is generally a way to measure that. So  
17 it's the same thing as an incentive to do  
18 something. It tends to -- it draws your attention.

19 It's not just for the money. A good guy  
20 will do it anyway. But you want some incentive for  
21 him and his troops or whatever to drive forth. So  
22 it's the same flavor. People work better in a